

Message Text

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TAGS: EAIR, UR, US
SUBJECT: VISIT OF PAN AM CHAIRMAN OF THE BOARD

REF: A) MOSCOW 14356, B) STATE 220255

SUMMARY: IN RECENT VISIT TO USSR, PAN AMERICAN AIRLINES BOARD CHAIRMAN SEAWELL EXPRESSED AGREEMENT WITH EMBASSY ON THE NEED FOR A FIRM AND UNIFIED USG-PAN AM POSITION IN ORDER TO SEEK (A) REVERSAL OF CURRENT AEROFLOT RESTRICTIVE TICKETING PRACTICES, AND (B) FAIRER MARKET SHARE FOR PAN AM. HE ALSO INDICATED WILLINGNESS TO SUPPORT CUTTING FREQUENCIES TO ONE-PER-WEEK AFTER OCTOBER 31, IF PAN AM CHARTERS ARE SUSPENDED. LOCAL PAA REP TOLD US SEAWELL SUBSEQUENTLY WARNED SOVIET AVIATION OFFICIALS THAT UNLESS TICKETING RESTRICTIONS WERE LIFTED, HE WOULD ORDER A "REVIEW" OF PAN AM-AEROFLOT RELATIONS AND THAT SOLUTIONS TO CURRENT ISSUES MUST PRECEDE CONSIDERATION OF ANY EXPANSION OF SERVICES. HE SUPPORTED IN DISCUSSIONS WITH SOVIET OFFICIALS A POOLING ARRANGEMENT ALONG THE LINES DEVELOPED BY THE US SIDE DURING THE JUNE BILATERAL DISCUSSIONS. END SUMMARY.

1. WILLIAM T. SEAWELL, CHAIRMAN OF THE BOARD, PAN AMERICAN AIRLINES, VISITED THE USSR FROM SEPTEMBER 12-18, LARGELY FOR TOURIST PURPOSES. HE ASSURED THE CHARGE DURING A COURTESY CALL ON SEPTEMBER 14 THAT UPON HIS RETURN TO NEW YORK HE WOULD MAKE SURE
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PAN AM COMPLIED WITH THE CAB RECOMMENDATIONS NECESSARY TO INTRODUCE RESTRICTIONS LIMITING ISSUANCE OF AEROFLOT TICKETS IN THE US

TO PAN AM TICKET STOCK. SEAWELL FELT THAT (A) PAN AM DESIRES EXPANSION OF SERVICES BUT CANNOT JUSTIFY THIS COURSE UNLESS ASSURED OF A FAIR MARKET SHARE; (B) SOVIET VIOLATIONS OF THE 1966 BILATERAL AGREEMENT AND THREAT TO SUSPEND CHARTERS AFTER MARC 31, 1977 REQUIRE A FIRM USG POSITION TO RESOLVE THE BILATERAL ISSUES BEFORE PAN AM CAN RESUME ITS INTER-AIRLINE DISCUSSIONS; AND (C) A POOLING AGREEMENT ALONG THE LINES OF THE US PROPOSALS IN JUNE DURING THE BILATERAL DISCUSSIONS OR A SATISFACTORY ALTERNATIVE FROM THE SOVIET SIDE IS NECESSARY TO ACHIEVE THIS PURPOSE.

2. SEAWELL ALSO ENDORSED IDEA OF DROPPING TO ONE FREQUENCY PER WEEK AFTER OCTOBER 31, IF THE SOVIETS SUSPEND PAN AM CHARTERS AS THREATENED. COMMENTING THAT THIS WOULD BE A POWERFUL US BARGAINING TOOL, HE AGREED IT WOULD BE MOST POTENTIALLY PRODUCTIVE IF THE SOVIETS ARE GIVEN MAXIMUM ADVANCE WARNING OF THIS STEP SO THEY COULD TAKE IT INTO ACCOUNT IN FORMULATING THEIR NEGOTIATING POSITION FOR THE NEXT ROUND OF CIVAIR TALKS.

3. INFORMATION ON SEAWELL'S MEETING AT AEROFLOT HEADQUARTERS ON SEPTEMBER 14 WITH AEROFLOT DIRECTOR GENERAL BARABASH AND V. SAMORUKHOV, MINISTRY OF CIVIL AVIATION, WAS PROVIDED BY LOCAL PAN AM REP DRAHORAD, WHO RETURNED TO MOSCOW SEPTEMBER 18 AFTER ESCORTING SEAWELL TO LENINGRAD. THE SOVIET POSITION ON THE CURRENT ISSUES WAS UNCHANGED WITH THEIR EMPHASIS ON THE POTENTIAL LOSS OF BUSINESS TO BOTH AIRLINES UNLESS NEW AGREEMENTS WERE SOON REACHED, THE ACCEPTABILITY OF A 50-50 POOLING ARRANGEMENT ONLY WITH EQUAL FREQUENCIES, AND SUPPORT FOR THE 1975 INTER-AIRLINE AGREEMENT.

4. ACCORDING TO DRAHORAD, SEAWELL TOOK A FIRM POSITION AND GAVE NO REASON FOR THE SOVIETS TO BELIEVE PAN AM COULD BE PRESSURED TO REQUEST THE USG TO CHANGE ITS POSITION. SEAWELL ARGUED AS FOLLOWS: (A) CURRENT TICKETING RESTRICTIONS MUST CEASE AND PAN AM ASSURED OF ITS FAIR MARKET SHARE BEFORE ANY DISCUSSIONS ON FUTURE ARRANGEMENTS CAN PROCEED; (B) EXPANSION OF SERVICES IS DESIRABLE BUT CANNOT BE CONSIDERED UNTIL THE BASIC ISSUES ARE RESOLVED; (C) UNLESS THE TICKETING RESTRICTED OFFICIAL USE
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TIONS ARE DROPPED IMMEDIATELY, SEAWELL WILL ISSUE INSTRUCTIONS FOR A "REVIEW" OF PAN AM-AEROFLOT RELATIONS UPON HIS RETURN TO NEW YORK AND (D) PAN AM IS NO LONGER INTERESTED IN THE 1975-INTER-AIRLINE AGREEMENT AND FAVORS THE POOLING ARRANGEMENTS PROPOSED BY THE USG. ACCORDING TO DRAHORAD, SEAWELL'S DOCUMENTATION OF 44 REFUSALS BY AEROFLOT TO TICKET SOVIET CITIZENS ON THE AGREED SERVICES WAS ESPECIALLY EMBARRASSING TO THE SOVIETS. THE CHARTER QUESTION WAS NOT RAISED BY EITHER SIDE AS THE DISCUSSIONS CENTERED ON THE CURRENT TICKETING PROBLEMS.

5. COMMENT: SEAWELL'S VISIT PROVIDED EXCELLENT OPPORTUNITY FOR A REVIEW OF CURRENT ISSUES WITH EMBASSY AND TO DEVELOP CONSENSUS ON NEED FOR UNIFIED APPROACH. FIRST-HAND OBSERVATION OF DIFFICULT OPERATING CONDITIONS HERE FOR PAN AM SEEMS TO HAVE CONVINCED SEAWELL THAT A FIRM AND CONSISTENT USG-PAN AM POSITION IS NEEDED, PARTICULARLY ONCE WE BEGIN TO RETALIATE FOR THE SOVIET VIOLATIONS. AS FAR AS WE CAN TELL, HE GAVE THE SOVIETS NO INDICATION OF ANY LACK OF RESOLVE ON THE PART OF PAN AM. WE RECOMMEND THAT PAN AM BE REQUESTED TO TAKE STEPS OUTLINED BY THE CAB IN ORDER TO RESTRICT AEROFLOT TICKETING IN THE US AS SOON AS POSSIBLE TO CAPITALIZE ON THE MOMENTUM FROM THE SEAWELL TRIP.
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